

FAAC (U.K.) Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 01875607



FAAC (U.K.) Limited

Contents

	Page(s)
Company Information	
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 7
Statement of Income and Retained Earnings	8
Balance Sheet	9
Notes to the Financial Statements	10 - 23

Company Information

Directors	E Galloni C Dodgson L Cervato
Company secretary	Clarks Nominees Limited
Registered number	01875607
Registered office	Unit 10 The Hatch Industrial Park Greywell Road Mapledurwell Basingstoke Hampshire RG24 7NG
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH
Bankers	BNP Paribas 10 Harewood Avenue London NW1 6AA

FAAC (U.K.) Limited

Strategic Report For the Year Ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018.

Business review

The principal activities of the company are the distribution of automation systems for doors, gates, turnstiles and barriers and the provision and maintenance of revenue parking systems.

The company operates two business units, one in the access automation sector and the other in the parking sector.

The Access Automation business unit continued to deliver steady growth in the year. The Parking business unit suffered a decrease in sales, mainly due to increased competition on new project sales. Prospects are good for both business units in 2019.

Financial key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2018 £'000	2017 £'000	Change %
Turnover			
Access Automation	11,776	10,688	10
Parking	4,262	6,379	(33)
Total	16,038	17,067	(6)
Operating profit	2,741	2,207	24
Profit after taxation	2,294	1,729	33
Shareholders' funds	7,687	7,143	8
Current assets as a % of current liabilities	214	204	5
Average number of employees	73	74	(1)

The Access Automation business continues to expand increasing by 10% whilst the Parking business shows a drop in revenue of 33% attributed to lower new project installs. The order book remains strong for 2019 and so further growth is expected. Gross profit increased and margins raised from 42% to 46%.

Shareholders' funds increased in line with retained profit during 2018.

The ratio of current assets to current liabilities improved throughout the year.

The average number of employees remains stable.

Principal risks and uncertainties

The principal risks and uncertainties that face the company are broadly competitive and financial. As a result of the Brexit vote, management have considered the financial effect and activated plans to mitigate any risk.

FAAC (U.K.) Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Competitive risks

In the Parking business unit there is a risk to the renewal of maintenance contracts, when a customer goes to tender for replacement / renewal of the parking system.

In the Access Automation business unit there is a competitive market and risks are associated with the continued supply of innovative and reliable products that meet market demand.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Price risk

The company is exposed to purchase price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to purchase price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The principal credit risk the company faces is that of non payment of invoices for goods supplied or services rendered. Controls are in place to manage debts with clients, but occasionally a bad debt is incurred due to matters beyond our control.

Liquidity risk

As a subsidiary of a large Italian group, Company is able to obtain any finance it might require from its parent company. Similarly, any surplus funds may be transferred to the parent company.

Foreign exchange risk

The company makes purchases in foreign currencies. The company's policy is to review the level of foreign currency balances on a regular basis and to recognise any associated gains and losses as they arise. The company does not maintain any forward hedging contracts.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitude and abilities. Disabled employees receive appropriate training to promote their career development within the company. Employees who become disabled are retained in their existing posts where applicable or retrained for suitable alternative posts.

Employee information

Regular meetings are held between senior management and employee representatives to discuss matters of concern. Employees are kept well-informed about progress and the position of the company by means of regular departmental meetings.

This report was approved by the board and signed on its behalf.



C Dodgson
Director

Date: 22-08-19

FAAC (U.K.) Limited

Directors' Report For the Year Ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £2,293,629 (2017 - £1,729,358).

An interim dividend of £1,750,000 (2017 - £Nil) was paid during the year. The directors recommend a final dividend payment of £2,300,000.

Future developments

The directors forecast continued growth in Access Automation and have broadened the company's Parking portfolio to address the challenging trading conditions in this sector.

Financial risks

Consideration of the financial risks faced by the company are disclosed in the Strategic Report.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Directors

The directors who served during the year and up to the date of signing were:

J Malacarne (resigned 30 June 2019)
E Galloni
E Nardi (resigned 7 March 2019)
C Dodgson
L Cervato (appointed 29 March 2019)

FAAC (U.K.) Limited

Directors' Report (continued) For the Year Ended 31 December 2018

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



C Dodgson
Director

Date: 22-08-19

FAAC (U.K.) Limited

Independent auditors' report to the members of FAAC (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion, FAAC (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Income and Retained Earnings for the year ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

FAAC (U.K.) Limited

Independent auditors' report to the members of FAAC (U.K.) Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

FAAC (U.K.) Limited

Independent auditors' report to the members of FAAC (U.K.) Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Katherine Stent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

Date: 22/8/11

FAAC (U.K.) Limited

Statement of Income and Retained Earnings For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	16,038,207	17,067,362
Cost of sales		(8,601,966)	(9,853,191)
Gross profit		7,436,241	7,214,171
Distribution costs		(597,902)	(574,225)
Administrative expenses		(4,096,854)	(4,433,328)
Operating profit	4	2,741,485	2,206,618
Interest receivable and similar income	8	68,615	11,029
Profit before tax		2,810,100	2,217,647
Tax on profit	9	(516,471)	(488,289)
Profit for the financial year		2,293,629	1,729,358
Retained earnings at the beginning of the year		7,043,402	5,314,044
Profit for the year		2,293,629	1,729,358
Dividends paid	10	(1,750,000)	-
Retained earnings at the end of the year		7,587,031	7,043,402

The notes on pages 10 to 23 form part of these financial statements.

FAAC (U.K.) Limited
Registered number: 01875607

Balance Sheet
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	11		-		-
Tangible assets	12		205,291		192,087
Investments	13		1,961,448		1,961,448
			<u>2,166,739</u>		<u>2,153,535</u>
Current assets					
Stocks	14	1,122,991		1,290,261	
Debtors	15	9,241,921		8,417,501	
Cash at bank and in hand		36,681		161,439	
		<u>10,401,593</u>		<u>9,869,201</u>	
Creditors: amounts falling due within one year	16	(4,851,301)		(4,849,334)	
Net current assets			<u>5,550,292</u>		<u>5,019,867</u>
Total assets less current liabilities			<u>7,717,031</u>		<u>7,173,402</u>
Provisions for liabilities	17		(30,000)		(30,000)
Net assets			<u><u>7,687,031</u></u>		<u><u>7,143,402</u></u>
Capital and reserves					
Called up share capital	18	100,000		100,000	
Profit and loss account	19	7,587,031		7,043,402	
Total equity			<u><u>7,687,031</u></u>		<u><u>7,143,402</u></u>

The financial statements on pages 8 to 23 were approved and authorised for issue by the board and were signed on its behalf by:


C Dodgson
Director

Date: 22-08-19

The notes on pages 10 to 23 form part of these financial statements.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

FAAC (U.K.) Limited is a company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is Unit 10 The Hatch Industrial Park, Greywell Road, Mapledurwell, Basingstoke, Hampshire, RG24 7NG. The nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of FAAC SpA as at 31 December 2018 and these financial statements may be obtained from Camera di Commercio Industria Agricoltura e Artigianato, Ufficio Imprese, Piazza della Costituzione, 40100 Bologna, Italy.

1.3 Exemption from preparing consolidated financial statements

The company is a wholly owned subsidiary of FAAC SpA. It is included in the consolidated financial statements of FAAC SpA which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

1.4 Turnover

Turnover in respect of Access Automation and Parking represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised upon customer receipt of goods or on completion of the agreed servicing work or upon the completion of certain milestones.

Revenue from services is recognised only when the company can reliably measure the amount of revenue and the associated cost related to the stage of completion of a contract or transaction, and the recovery of the consideration is considered probable. Where reliable measurement of revenue and associated costs is not possible both revenue and associated costs thereon are deferred.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.5 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Income and Retained Earnings over its useful economic life.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

1.6 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 6% - 40% straight line
Motor vehicles	- 25% - 50% straight line
Fixtures and fittings	- 6% - 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

1.7 Impairment of goodwill and fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Income and Retained Earnings.

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.11 Financial instruments (continued)

deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings.

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.16 Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Income and Retained Earnings over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Income and Retained Earnings over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of Income and Retained Earnings on a straight-line basis over the term of the lease.

1.17 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

1.18 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

1.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.20 Current and deferred taxation

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 12)*
Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and the projected disposal values.
- *Revenue recognition*
The company exercises judgement over whether services and milestones have been delivered including estimations about the current stage of performance which could affect the amount earned and unearned revenue. Amounts that have been invoiced but for which the revenue recognition criteria have not been met are included in deferred revenue.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

3. Turnover

	2018 £	2017 £
Sales of goods		
Access automation	11,775,898	10,688,091
Parking	3,028,978	5,162,753
	<u>14,804,876</u>	<u>15,850,844</u>
Sale of services		
Access automation	-	-
Parking	1,233,331	1,216,518
	<u>1,233,331</u>	<u>1,216,518</u>
	<u><u>16,038,207</u></u>	<u><u>17,067,362</u></u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible assets	88,748	105,133
Operating lease expense	282,359	241,869
Exchange rate differences	(2,729)	1,345
Defined contribution pension cost	53,874	58,933
Impairment of stocks recognised in cost of sales	27,150	161,789
Inventory recognised as an expense in cost of sales	8,070,144	7,952,983
	<u><u>8,422,004</u></u>	<u><u>8,461,052</u></u>

5. Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u><u>30,000</u></u>	<u><u>25,000</u></u>

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	2,608,535	2,516,444
Social security costs	299,807	291,329
Other pension costs	53,874	58,933
	<u>2,962,216</u>	<u>2,866,706</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Technical	39	41
Distribution	4	4
Administration	30	29
	<u>73</u>	<u>74</u>

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	100,297	93,110
Company contributions to defined contribution pension schemes	3,917	2,813
	<u>104,214</u>	<u>95,923</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

8. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from group companies	68,365	10,761
Other interest receivable	250	268
	<u>68,615</u>	<u>11,029</u>

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

9. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	556,860	488,289
Adjustments in respect of previous periods	(40,389)	-
Total current tax	516,471	488,289

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	2,810,100	2,217,647
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	533,919	426,897
Effects of:		
Expenses not deductible for tax purposes	(11,573)	41,206
Capital allowances for year in excess of depreciation	6,705	9,947
Other differences leading to a increase in the tax charge	(12,580)	10,239
Total tax charge for the year	516,471	488,289

Factors that may affect future tax charges

The Finance Act 2015 reduced the main rate of Corporation Tax from 20% to 19% with effect from 1 April 2017. In addition the Government has announced that from 1 April 2020 the Corporation Tax main rate will be further reduced to 17%. We have used a rate of 19% for the purpose of preparing the tax disclosure.

10. Dividends paid

	2018 £	2017 £
Ordinary		
Interim dividend paid of £17.50 (2017 - £Nil) per share	1,750,000	-

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

11. Intangible assets

	Goodwill £
Cost	
At 1 January 2018 and 31 December 2018	1,700,403
Accumulated amortisation	
At 1 January 2018 and 31 December 2018	1,700,403
Net book value	
At 31 December 2017 and 31 December 2018	-

12. Tangible assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2018	133,242	243,671	314,085	690,998
Additions	19,446	69,988	18,522	107,956
Disposals	-	(74,622)	-	(74,622)
At 31 December 2018	152,688	239,037	332,607	724,332
Accumulated depreciation				
At 1 January 2018	115,409	167,464	216,038	498,911
Provided for the year	13,163	53,562	22,023	88,748
Disposals	-	(68,618)	-	(68,618)
At 31 December 2018	128,572	152,408	238,061	519,041
Net book value				
At 31 December 2018	24,116	86,629	94,546	205,291
At 31 December 2017	17,833	76,207	98,047	192,087

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018 and 31 December 2018	<u>2,802,068</u>
Impairment	
At 1 January 2018 and 31 December 2018	<u>840,620</u>
Net book value	
At 31 December 2017 and 31 December 2018	<u><u>1,961,448</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
DSS Automatic Doors Ltd	Ordinary	100 %	Automatic door supplier

The address of DSS Automatic Doors Ltd's registered office is 2 Cairn Court, Nerston Industrial Estate, East Kilbride, Glasgow, G74 4NB.

The aggregate of the share capital and reserves as at 31 December 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit £
DSS Automatic Doors Ltd	<u>697,958</u>	<u>247,998</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

14. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>1,122,991</u>	<u>1,290,261</u>

There is no difference between the replacement cost of stocks and the amounts stated above.

15. Debtors

	2018 £	2017 £
Due within one year		
Trade debtors	2,733,385	2,725,849
Amounts owed by group undertakings	6,137,006	5,011,063
Other debtors	89,315	117,168
Prepayments and accrued income	282,215	563,421
	<u>9,241,921</u>	<u>8,417,501</u>

Within trade debtors are provisions for bad debts totalling £102,873 (2017 - £336,270).

The amounts owed by group undertakings are repayable in 90 days following the end of the month, do not attract any interest, and remain unsecured.

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	-	29,581
Trade creditors	163,407	207,253
Amounts owed to group undertakings	3,650,980	3,898,948
Corporation tax	286,860	226,157
Other taxation and social security	181,628	196,277
Accruals and deferred income	568,426	291,118
	<u>4,851,301</u>	<u>4,849,334</u>

The amounts owed to group undertakings are repayable in 90 days following the end of the month, do not attract any interest, and remain unsecured.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

17. Provisions for other liabilities

	Warranty provision £
At 1 January 2018 and 31 December 2018	<u>30,000</u>

18. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
100,000 (2017 - 100,000) Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

19. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

20. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>9,133,529</u>	<u>8,258,593</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,382,813</u>	<u>4,426,900</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed from group undertakings, other creditors and accruals.

21. Pension commitments

The pension cost charge represents contributions payable by the company to employee's own schemes which amounted to £53,874 (2017 - £58,933). Contributions totalling £Nil (2017 - £5,154) were payable at the balance sheet date and are included in creditors.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

22. Commitments under operating leases

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	326,451	305,840
Later than 1 year and not later than 5 years	1,027,201	991,629
Later than 5 years	1,142,808	1,379,251
	<u>2,496,460</u>	<u>2,676,720</u>

23. Related party transactions

The company is a wholly owned subsidiary of FAAC SpA and has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with FAAC SpA or other wholly owned subsidiaries within the group.

Key management personnel include all directors across the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £104,214 (2017 - £95,923).

24. Controlling party

The directors consider the company's immediate and ultimate parent company is FAAC SpA, which is registered in Italy.

FAAC SpA is the parent company for the largest and smallest group of which this company is a member and for which group accounts are prepared. FAAC SpA lodges the group accounts with Camera di Commercio Industria Agricoltura e Artigianato, Uffigo Imprese, Piazza della Costituzione, 40110 Bologna, Italy.

The directors consider the company's controlling party to be the Archdiocese of Bologna, Italy.